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Canada

Speaking Notes

The Honourable Tony Clement, PC, MP
Minister of Industry

Restructuring Plans for General Motors of Canada Ltd. and Chrysler Canada Inc.

March 30, 2009
Ottawa, Ontario

Check Against Delivery

Thank you for joining us this afternoon.

This morning we heard from President Obama that the United States has concerns about General Motors' and Chrysler's restructuring plans.

I share his concerns.

Over the past month, federal and provincial officials have been working closely with our U.S. Treasury counterparts and the companies in a process of due diligence to assess the automakers' current and future operations.

I am here today to say that the plans submitted by GM and Chrysler to the Government of Canada do not go far enough to ensure the long-term viability of these companies. Therefore, we have not certified their restructuring plans.

The two key questions that need to be answered for Canada are:

1. Do the plans lead to a viable North American industry; and
2. Will they maintain the 20 percent Canadian share of production going forward?

In conjunction with our U.S. colleagues, we have determined that further fundamental changes for both companies are needed.

The companies must demonstrate their future competitiveness and that they have secured appropriate contributions from all stakeholders to improve their overall cost structures.

For GM, this means a more fundamental restructuring of its products and its operations, including its costs. In keeping with the timelines set by the United States, we expect them to complete this within an additional 60 days.

For Chrysler, it means coming to terms with the CAW on a contract that works for the company and with Fiat on a workable alliance. We expect them to complete this within an additional 30 days.

Together with our counterparts in the United States, the Government of Canada is asking that both companies develop plans to make these changes.

In working toward the long-term viability of these companies, I agree with President Obama that a court-supervised process may be needed to complete their restructuring.

Through this process, we acknowledge the financial constraints facing each company.

On December 20 of last year, Prime Minister Harper and Premier McGuinty announced that the Canadian and Ontario governments would provide financial assistance to support the restructuring of the Canadian subsidiaries of General Motors and Chrysler.

Today, I am confirming that the governments of Canada and Ontario will provide the short-term financing previously committed.

Let me be very clear, these funds are to assist the companies' Canadian operations while they work on their restructuring plans.

The loans are not to pay off debts to their parent companies, or to back taxes or underfunded pension liabilities.

They are not to be used for executive bonuses or golden parachutes.

In the loan agreement the Government of Canada puts limits on executive compensation to senior Canadian employees from 2008 through the term of the loan. And, as lender, the government has the right to claw back bonuses or compensation.

As well, the borrowers must report any material transactions in excess of $125 million, and provide regular reports on cash and liquidity positions, production and revenues.

Should the companies' restructuring plans not be certified by the governments, these loans are callable.

If a company decides court-supervised restructuring is their preferred route, the advanced funds may be converted into debtor-in-possession financing.

In the case of Chrysler Canada, the loan agreement has been signed and $250 million will be advanced as soon as possible.

The federal government will provide two-thirds of the loans, while the Ontario government will contribute one-third.

We are making this strategic investment to support an orderly restructuring of a critical industry with the goal of ensuring Canada maintains its 20 percent production share in the future.

This Canadian support is in addition to amounts already announced in Canada's Economic Action Plan for the Canadian Secured Credit Facility to support consumer demand, the Community Adjustment Fund to support distressed communities, and additional funds provided to Export Development Canada to expand its program of accounts receivable insurance for auto parts suppliers.

The auto industry directly employs over 150,000 Canadians plus another 340,000 indirectly. It is our largest industry within the manufacturing sector. It represents 14 percent of our manufacturing output and 23 percent of manufactured exports.

Assembly plants and parts companies have driven growth and prosperity across Canada, and they contribute to the development of related manufacturing throughout the country. Our government does not want to let our capacity to build cars and trucks slip away.

Going forward, the industry will undoubtedly be smaller; but, if our efforts are successful, it will be viable and it will support good jobs for Canadians.

Thank you.

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